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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000850

SIPDIS

E.O. 12958: DECL: 06/17/2023

TAGS: ECON ETRD EAGR PGOV PREL TW

SUBJECT: VICE PRESIDENT SIEW ON CROSS-STRAIT, U.S.-TAIWAN
RELATIONS, TIFA, BEEF

Classified By: AIT Director Stephen M. Young, Reason(s): 1.4 (B/D).

¶1. (C) Summary: In a June 17 meeting, AIT Director Young relayed Washington's message of welcome to the new Ma administration, and support for Taiwan's efforts to improve relations with China. Cross-Strait relations are off to a good start, Siew replied, but thornier issues like Taiwan's "international living space" will take some time to resolve. Ma has tried to restore stability to the cross-Strait relationship, Siew asserted, and would also like to improve U.S.-Taiwan relations through a direct, high-level dialogue with Washington. U.S.-Taiwan relations are close but unofficial, replied the Director, and this is unlikely to change in the remaining months of the Bush administration. Taiwan should capitalize on the opportunities presented by TIFA and bilateral investment talks, the Director insisted, because a U.S.-Taiwan FTA is highly unlikely in the near term. We also want to move forward on the Consultative Committee on Agriculture (CCA) in the next few months. In that context, the Director pressed Taiwan to complete its safety review process and to use scientific data to decide the question of U.S. bone-in beef imports. The Ma administration must not repeat the mistakes of the South Korean government, Siew replied, and urged the U.S. to remain "patient" as Taiwan worked toward a solution. End Summary.

¶2. (C) The Director informed Vice President Siew on June 17 that he had just returned from Washington where he held consultations with senior policymakers from the National Security Council, Department of Defense, State Department, and USDA. All spoke well of the new Ma administration, and expressed support for Taiwan's efforts to improve economic and political relations with the PRC. Siew welcomed the Director as an "old friend," and thanked him for relaying the message of U.S. support.

Cross-Strait on the Mend

¶3. (C) Ma and his administration, Siew continued, are dedicated to reversing the damage to cross-Strait relations done during eight years of Chen Shui-bian's administration. Although Beijing and Taipei are off to a very good start, as indicated by recent agreements on cross-Strait flights and tourism, other problems, like Taiwan's "international living space," will be more difficult and will require more time to solve. Progress should be possible, however, as long as relations between Taiwan and China remain peaceful and calm. According to Siew, he, KMT Chairman Wu Po-hsiung, and Straits Exchange Foundation (SEF) Chairman P.K. Chiang (Pin-kung)

have impressed upon PRC President Hu Jintao that continued Chinese pressure on Taiwan's international space could undermine public support in Taiwan for closer cross-Strait ties. Washington strongly supports increased Taiwan participation in international organizations, replied the Director.

U.S.-Taiwan Communication

¶4. (C) The Bush administration only has seven months left in office, noted the Director, and Washington policymakers are considering how Taiwan and the U.S. can work together during this time to improve bilateral relations and to build momentum which will continue into the next U.S. administration. Ma has tried to remove the "element of surprise" from cross-Strait relations by adopting "practical" and "consistent" policies toward the mainland, responded Siew. Although communications with AIT have been smooth and productive, he continued, Ma would like to enhance U.S.-Taiwan dialogue through more direct channels, including higher level bilateral visits. Although it is always worthwhile to consider other options, replied the Director, U.S. relations with Taiwan have for decades been close, but strictly unofficial. The Bush administration is unlikely to depart from these precedents during its final months.

¶5. (C) President Ma wishes to have more direct dialogue with Washington, Siew explained, in order that the U.S.-Taiwan relationship can serve as a counterbalance as Taiwan seeks to improve relations with the PRC. Ma also believes higher-level contact with Washington would help Taipei ease

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U.S. concerns that Taiwan and China were becoming too close. The Director reminded Siew that the U.S. does not object to closer relations between Taiwan and China, as long as they are a product of balanced and equal bilateral negotiations. It is conceivable that China, Taiwan, and the U.S. could all benefit from better relations, in a "win-win-win" outcome, added the Director. Washington will continue wherever appropriate to encourage Beijing to be practical and flexible in its dealings with Taiwan.

¶6. (C) Washington would like to move forward on the Trade and Investment Framework Agreement (TIFA), the Director told Siew, and to complete steps which would allow for Taiwan's removal from the Special 301 IPR watch list later this year. The latter would require Taiwan to open its Intellectual Property Court as scheduled in July, and to make significant progress on Internet Service Provider (ISP) legislation. The Director also urged the Ma administration to find a formula that would enable Taiwan to participate in the WTO Government Procurement Agreement (GPA). The Director acknowledged Taiwan's continued interest in a Free Trade Agreement (FTA), but warned that Congressional opposition to Fast Track Authority and intense debate over the South Korean FTA made a similar agreement with Taiwan highly unlikely. For the time being, urged the Director, Taiwan should build the TIFA, bilateral investment, and IPR structures which could later serve as the foundation for a possible FTA.

Please Be Patient on Beef

7.(C) The U.S. would also like to move forward in holding the inaugural session of a bilateral Consultative Committee on Agriculture (CCA) this fall, in conjunction with TIFA. It would be most helpful if we could make progress on beef in the run-up to that event. Noting that Taiwan's Department of Health (DOH) had been researching the beef safety issue since fall 2007, the Director pressed the Ma government to complete the review process and to use the scientific data to decide the safety of U.S. bone-in beef. The South Korean protests against U.S. beef imports received a great deal of media attention in Taiwan, Siew replied, and now the government must be "very cautious" before moving forward. Siew proposed U.S. beef producers conduct an advertising campaign to

convince Taiwan consumers of the safety of U.S. beef. Boneless U.S. beef returned to the Taiwan market two years ago, replied the Director, and first-year sales broke records, suggesting Taiwan consumers already consider U.S. beef to be safe.

¶8. (C) Bone-in beef is a different matter, Siew replied, and Taiwan consumers need more information. Once the Department of Health signs off, he continued, the Legislative Yuan (LY) will also have to agree to the import of U.S. bone-in beef.

(Note: We do not believe LY approval is in fact a formal requirement, although it could be seen as a political necessity. End Note.) The LY is watching the government very closely, Siew insisted, and the administration must avoid making any unnecessary mistakes. Unlike South Korea, the Director replied, Taiwan does not have a domestic beef industry to protect. Taiwan people are also less suspicious of U.S. motives than their Korean counterparts, and therefore less vulnerable to manipulation by opportunistic politicians.

The Ma administration is also more stable than the Lee government in South Korea. Ma is hoping to avoid Lee's mistakes, Siew stressed, and urged the U.S. to be "patient" as Taiwan worked toward a solution.

YOUNG